

PORT OF EVERETT
Snohomish County, Washington
January 1, 1994 Through December 31, 1994

Schedule Of Findings

1. Port Officials Should Improve Internal Controls Over Cash Receipts And Accounts Receivable

The following internal control weaknesses were observed during our audits of the port's cash receipting and accounts receivable accounting systems. Similar conditions were reported in our 1993 report.

- a. A lack of segregation of duties exists over marine terminal accounts. The administration office cashier opens and records mail payments by herself and posts billings and payments to the subsidiary terminal accounts. In addition, the original copies of voided invoices are not retained.

We again recommend that two people open the mail and document all payments received. We further recommend that the individuals who handle receipts not be involved in posting billings and payments to the subsidiary accounting system. The original copy of voided invoices should be retained in the numerical invoice filing system.

- b. A lack of segregation of duties exists over yacht club transactions. The facility's manager prepares and records invoices, receipts payments, and posts payments to the subsidiary accounts. In addition, the manager does not maintain a control account to summarize total receivables, damage deposits, and rental deposits of all individual accounts. The port's central accounting system contains control accounts, but these are not reconciled to the individual accounts maintained at the yacht club.

We again recommend that a segregation of duties and/or supervisory review be established over yacht club transactions. We further recommend that a control account be maintained at the yacht club for receivables, damage and rental deposits. The control account should be reconciled to the individual subsidiary accounts and to the port's central accounting system on a monthly basis by someone other than the facility's manager.

- c. Cash is collected from the boat ramp ticket machine and delivered to the north marina office by two people. However, the office cashier counts and receipts the money by herself after the two people have left.

We again recommend that boat launch collections be counted and receipted by the cashier in the presence of another person.

- d. Currently, gas dock receipts are counted three times and yacht club receipts are counted twice by the time they are deposited at the bank.

We recommend that all reconciled deposits be placed in locking bank bags and taken directly to the bank. Gas dock and yacht club receipts should then be reconciled to the bank deposit receipt by the administration office cashier.

- e. The laundry and shower receipts are collected and counted by one person.

We again recommend that two people always be present when the money is collected, counted, and receipted.

- f. A lack of segregation of duties exists over guest moorage daily occupancy records and the related cash receipting functions. The same person manually checks boats in, collects drop box payments, receipts the payments, and enters the boat moorage recordings into the system.

We recommend that drop box payments be collected by someone other than the person who fills out the moorage occupancy records and enters them into the system.

- g. A lack of segregation of duties exists over marina billing and boat basin accounts. The billing representative and the credit controller have access to each other's menu functions in the subsidiary computer system. Both are also allowed to receipt payments and post adjustments to accounts with limited supervisory review or supporting documentation.

To ensure propriety of marina billing and boat basin account transactions, we recommend the following:

(1) Computer system access capabilities of personnel performing billing and receipting functions should be segregated.

(2) Personnel posting billings and payments to the subsidiary receivable system should not be allowed to handle cash receipts.

(3) All adjustment forms should be complete with an explanation for the adjustment. Supporting documents should be attached.

(4) The marina director should evidence her review and approval of all adjustments by signing and dating the adjustment for or the adjustment proof listing.

- h. Currently, there are no procedures performed to verify the accuracy of revenue earned for yard storage and guest moorage for the month. The computer system does not generate a revenue report with individual account detail to facilitate a reconciliation of individual accounts and total billings to daily moorage check-in sheets.

We recommend that procedures be established to determine the accuracy of monthly guest moorage and yard storage revenue.

Some improvements have been made from the prior year, however, internal control weaknesses continue to exist. The weaknesses identified above decrease the accountability over the cash receipting and accounts receivable systems. In addition, they could allow errors and irregularities to occur without being detected in a timely manner.

states in part:

. . . The accounts shall show the receipt, use and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amount due and received from each source; all receipts, vouchers, and other documents kept or required to be kept, necessary to isolate and prove the validity of every transaction

We again recommend that port officials improve internal controls over the cash receipts and accounts receivable systems.

2. Port Officials Should Improve Internal Controls Over Gas Dock Inventory

Accounting procedures have been established for gas dock fuel and materials inventory, however, our audit disclosed the following discrepancies in accounting records at year end.

	<u>Physical Count</u>	<u>Manual Books</u>	<u>Port's Central Accounting System</u>
Diesel	\$14,712	\$15,246	\$12,126
Gas	\$16,547	\$17,423	\$12,780
Lubes/other	\$ 710	\$ 764	\$ 791

Review of inventory records indicated that variations, such as those documented above, occurred throughout the year. The inventory balance as shown in the ports central accounting system is presented on the accompanying balance sheet without adjustment. The discrepancies are deemed to be immaterial to the financial statements as a whole, however, they indicate that there are internal control weaknesses that may affect the port's ability to record and report financial transactions relating to the purchase and sale of fuel and merchandise at the gas dock.

RCW 43.09.200, Division of Municipal Corporations) *Uniform System of Accounting*
states in part:

... The accounts shall show the receipt, use and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amount due and received from each source; all receipts, vouchers, and other documents kept or required to be kept, necessary to isolate and prove the validity of every transaction

Similar conditions regarding the port's gas dock inventory accounting system were reported in our 1993 report.

We again recommend that gas dock inventory accounting procedures be reviewed for the purpose of identifying internal control weaknesses and to implement new procedures that would provide for accurate accountability of inventory activity.